



Human Resources Division
P.O. Box 942718
Sacramento, CA 94229-2718
Telecommunications Device for the Deaf - 711
(916) 795-3065 FAX - (916) 795-4001

May 12, 2006

AGENDA ITEM 6

TO: MEMBERS OF THE PERFORMANCE AND COMPENSATION COMMITTEE

- I. SUBJECT:** Third Quarter Status Reports on Performance Plans of the Chief Executive Officer, Chief Actuary and Investment Management Staff
- II. PROGRAM:** Administration
- III. RECOMMENDATIONS:** Recommend the Board Accept Third Quarter Status Reports on the Performance Plans of the Chief Actuary and the Senior Investment Officers

Recommend that the Board Approve Changes in the Performance Plans of all Senior Investment Officers

IV. ANALYSIS:

The Compensation Policies and Procedures provide that, at the end of each quarter in the fiscal year, executives will prepare short status reports on their respective performance plans for the Performance and Compensation Committee. Attached are the quarterly status reports for the third quarter of the 2005-2006 Fiscal Year for the Chief Actuary and the Senior Investment Officers.

Quarterly status reports provide a means for informing the Committee of progress toward achieving the quantitative and qualitative measures in the performance plans. If needed, performance measures may be added, amended or deleted as part of the quarterly review process.

For the third quarter, there is no status report for the Chief Investment Officer since the position was vacant during this time period. The Chief Executive Officer's status report will be presented at the June meeting.

One change is proposed for each of the Senior Investment Officers in regard to the Annual Plan. The due date for submitting annual plans to the Chief Investment Officer has been changed to June 1, 2006 in order to accommodate the start date of the new Chief Investment Officer.

Changes are proposed for the plan of the Senior Investment Officer, Asset Allocation and Risk Management, to reduce the weight of the Risk Management System Implementation factor by 5% in order to allow for the 5% addition of an Annual Plan factor.

A change is proposed for the plan of the Senior Investment Officer, Fixed Income, to reflect changes made to the Investment Policy by the Investment Committee at the February 16, 2006 meeting. The changes in this incentive plan reflect the benchmark change from LIBOR to Federal Funds.

V. STRATEGIC PLAN:

Under Goal V of the Strategic Plan, CalPERS is committed to sustaining a high performance work culture. This can be accomplished at the highest executive levels through the establishment of methods that provide broad flexibility in the recruitment, retention and compensation of key personnel.

VI. RESULTS/COSTS:

The establishment of performance plan measures is critical to the management of a competitive compensation program for executives at the highest levels of the organization. This, in turn, is critical to the success of the organization. The cost of performance awards that might arise from the recommendations in this item will be funded from existing resources.

Chris O'Brien, Chief
Human Resources Division

Gloria Moore Andrews
Deputy Executive Officer - Operations

Attachments

**Quarterly Incentive Plan Status Reports
Third Quarter 2005-2006 Fiscal Year**

The FY 2005-06 third quarter status reports are presented in the following order:

<u>Position</u>	<u>Current Incumbent</u>
Chief Actuary	Ron Seeling
Senior Investment Officer, Alternative Investments	Leon Shahinian
Senior Investment Officer, Asset Allocation and Risk Management	Pat Pinkos
Senior Investment Officer, Fixed Income	Curtis Ishii
Senior Investment Officer, Global Equities	Christy Wood
Senior Investment Officer, Real Estate	Michael McCook